



ENVISION ARLINGTON FISCAL RESOURCES TASK GROUP  
Meeting Minutes 7:30 PM 2/21/19

Senior Center Ground Floor Mural Room

ATTENDEES: Gordon Jamieson (Co-Chair), David Garbarino (Co-Chair), Janet Pagliuco, Brian Hasbrouck, Ted Peluso, Pete Howard (Secretary)

Leadership Interviews: Gordon to arrange with Fire Chief.

Financial Officer Invitations to meeting: Gordon to arrange with new school CFO.

Community Corner #8: Sandy Pooler provided edits and suggestions. They are incorporated in Ref 1. Gordon will submit to Advocate.

Arlington High School rebuild. Gordon & Mike have attended AHS Building Committee meetings. The cost of the project has been reduced to \$291m by moving most non-school offices out, by deleting solar panels, by simplifying the use of historic features, and by using less expensive materials. Gordon reviewed what the FRTG has done so far.

Ted stated that he wants to help pass a debt exclusion for the AHS. He thinks the Town Meeting will approve. He is not so sure of the voters. He thinks the messaging so far has been poor. Pete suggested that he work with the override committee when it is formed. Ted left the meeting.

The group discussed how to further the residential exemption idea. Gordon will arrange an informal face-to-face meeting with Dan Dunn. Gordon will ask Mike Delisi to help at this meeting.

Next mtg Mar 21

Meetings monthly - 3rd Thursdays 7:30 PM - Usually in Senior Center Mural Room.

Ref 1 Citizens Corner #8 final

Ref 2 Charts showing distribution of residences and business assessments

## Citizens Corner - Tax Overrides & Debt Exclusions

By Pete Howard and Gordon Jamieson

Welcome back to Citizens' Corner, an occasional column prepared by members of the Envision Arlington Fiscal Resources Task Group designed to help residents both old and new learn more about how our Town functions. This week we'll review the ins and outs of Proposition Two and One Half (Prop 2 ½) which regulates local property tax increases in the Commonwealth.

Back in 1980, when Massachusetts was still called Taxachusetts by some, the voters approved a statewide referendum question called Prop 2 ½. This vote established, for the first time, a limit on the total amount that a municipality's annual real estate & personal property tax levy could increase. To exceed this limit, the town has to secure approval from its registered voters. In effect Prop 2 ½ converted local budgeting from "expense based" to "revenue based".

How does Prop 2 ½ work to define the amount of taxes that can be collected each year? The levy limit for the current tax year (the amount of taxes to be collected) is calculated as follows: The previous year's tax levy is increased by 2.5 percent plus the amount of taxes attributable to growth in the tax base (termed new growth). This number is the levy limit.

New growth is the increase in the town's tax base not caused by revaluation, but rather by development. New growth includes property improvements (renovations, additions and the like) that increase the assessed value of a property as well as new construction.

Arlington works hard to budget within the existing levy limit. Despite those efforts, increases in the levy limit has proven to be less than what the Town requires to maintain services in the face of growth in our school population and the service expectations of our residents. Prop 2 ½ provides two ways to address these budgetary pressures: Tax Overrides and Debt Exclusions. Both require approval by the Town's voters.

Tax overrides authorize the Town to increase the property tax levy by a specific dollar amount in the next fiscal year. In subsequent years the levy limit increase is 2 ½% of the previous year (including the override) plus new growth. Thus the override tax increase provides for a permanent increase in the tax base. These taxes are used to pay the cost of operating the Town. Arlington voters last approved an operating tax override in 2011.

Debt exclusions authorize the Town to raise the property tax levy by a specific amount to borrow the funds required to complete and pay for specific capital projects. Typically these projects are the construction of new or renovation of old buildings. Arlington voters last approved debt exclusions in 2016 to cover the costs of rebuilding Minuteman Vocational High School, renovating Gibbs School and funding AHS rebuild planning.

Debt exclusions are added to the base property tax levy limit each year until the principal and interest on the loan has been fully repaid. The debt exclusion is then removed from the property tax levy. Thus while the increase in property tax levy due to an override is permanent; the increase in the property tax levy due to a debt exclusion is temporary. It expires after the loan authorizing the borrowing of the funds has been repaid.

While the overall increase in the total property tax levy is limited to "2.5% plus new growth" as summarized above, the property tax on any particular property is affected by changes in its assessed value and may increase by more or less than 2 ½ %.

The procedures leading up to the vote approving an operating override or debt exclusion are specified in the Prop 2 ½ law. The Select Board is responsible for deciding when to call for a vote under Prop 2 ½ and for scheduling the vote (election). Prop 2 ½ also specifies the required wording of the vote as put forth to the voters.

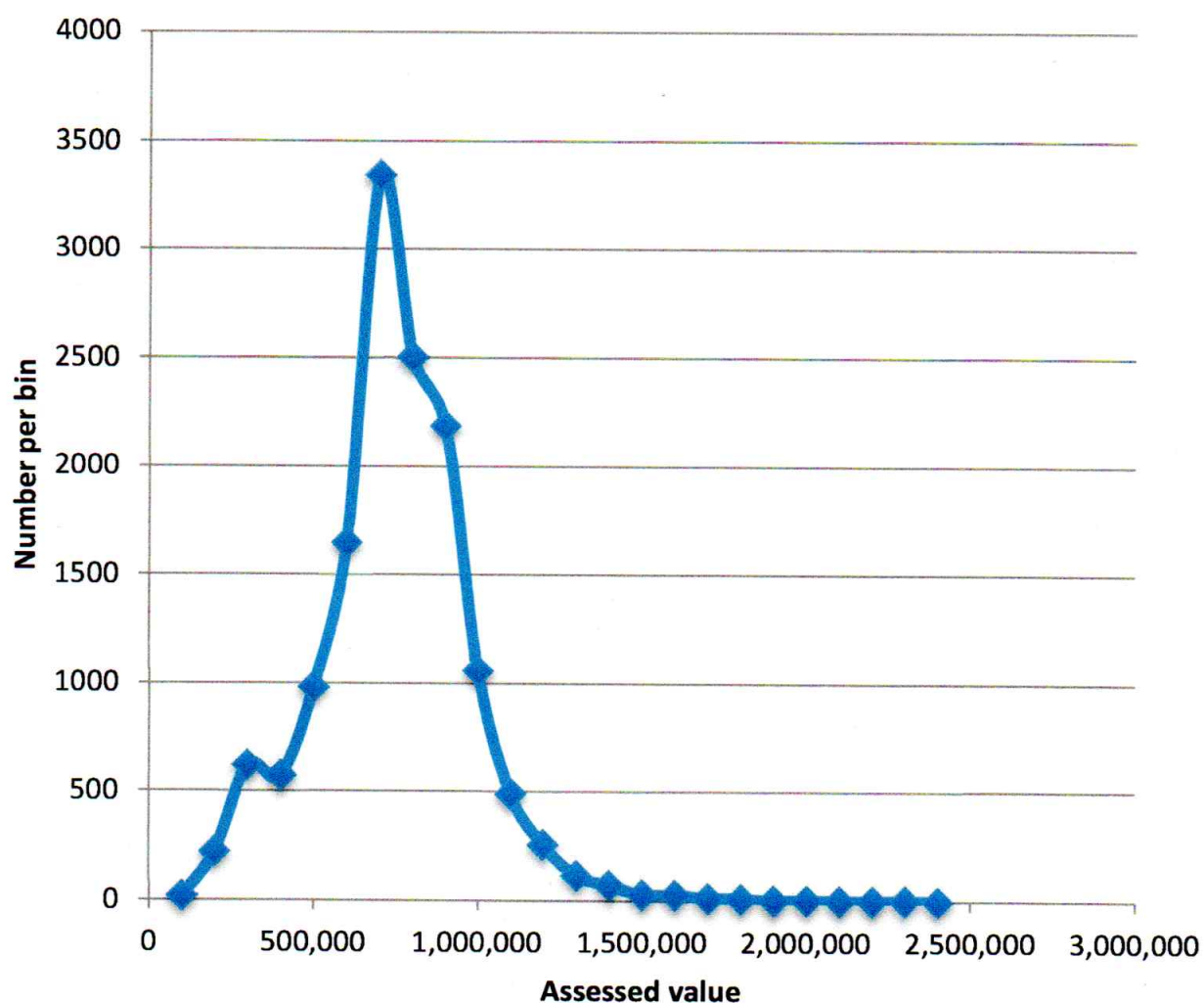
Hence, because of Prop 2 ½, Massachusetts no longer warrants the Taxachusetts moniker at the local property tax level given that a local municipality's voters, by direct vote, approve any significant increase in local property taxes.

For more details, ask your precinct's Town Meeting Members, your precinct's Finance Committee member, consult Chapter 6 of the Association of Town Finance Committees Handbook or Mass General Laws Title IX, Chapter 59 Section 21 or attend one of our meetings which occur on the third Thursday of the month.

*~ The Envision Arlington Fiscal Resources Task Group embraces and works to help the Town better realize the following Town goal: "We value Arlington's efficient delivery of public services providing for the common good. The benefits from these services and the responsibility of taxation will be equitably distributed among us. We will be known for our sound fiscal planning and for the thoughtful, open process by which realistic choices are made in our Town." We meet monthly and all are welcome to attend.*

# Distribution of Residence Assessed Value

Bin size 100,000  
14,212 properties  
average value \$697,148





5%/1.05	Value		6M	Total	Ex+W/S	Net	No-Ex+W/S	Net	No-Ex+W/S	Net	Phase-In 1.25%/1.0125 Ex + 25% W/S Removed - 2020 6M  2.5%/1.025 + 50% W/S Removed - AHS Phase I  3.75%/1.0375 + 75% W/S Removed - AHS Phase II  5%/1.05 + 100% W/S Removed - AHS Completion
	AHS	278									
	250	414			-430	-16		399	-15	399	
	500	829	137	829	-445	384		799	-30	799	
	750	833	410	1243	-460	783		1198	-45	1198	
	1000	1110	547	1657	-475	1182		1597	-60	1597	
	1500	1665	821	2486	-505	1981		2396	-90	2396	
	2000	2220	1094	3314	-186	3128		3194	-120	3194	
In 1000's	AHS	6M	Total	Ex and W/S Impact	Net plus AHS plus 6M	No-Ex and W/S Impact	Net plus AHS plus 6M	No-Ex and W/S Impact	Net plus AHS plus 6M		

Value	AHS		6M	Total	Ex+W/S		Net	No-Ex+W/S		Net	Phase-In 2.5%/1.025 + 25% W/S Removed - 2020 6M  5.0%/1.05 + 50% W/S Removed - AHS Phase I/II  7.5%/1.075 + 75% W/S Removed - AHS Completion  (10%/1.10 Option for future override ca. 2024)
	250	500			Ex+W/S	Net		No-Ex+W/S	Net		
7.5%/1.075	250	278	137	414	-581	-167	58	58	472	472	
	500	555	274	829	-524	305	115	115	944	944	
	750	833	410	1243	-466	777	173	173	1416	1416	
	1000	1110	547	1657	-409	1248	230	230	1887	1887	
	1500	1665	821	2486	-294	2192	345	345	2831	2831	
	2000	2220	1094	3314	-179	3135	460	460	3774	3774	

Value	AHS	6M	Total	Ex+W/S	Net	No-Ex+W/S	Net	No-Ex+W/S	Net	Phase-In
250	278	137	414	-758	-344	108	522	108	522	2.5%/1.025 + 25% W/S Removed - 2020 6M
500	555	274	829	-651	178	215	1044	215	1044	
750	833	410	1243	-543	700	323	1566	323	1566	5.0%/1.05 + 50% W/S Removed - AHS Phase I
1000	1110	547	1657	-436	1221	430	2087	430	2087	
1500	1665	821	2486	-221	2265	645	3131	645	3131	7.5%/1.075 + 75% W/S Removed - AHS Phase II
2000	2220	1094	3314	-6	3308	860	4174	860	4174	
In 1000's	AHS	6M	Total	Ex and W/S Impact	Net plus AHS plus 6M	No-Ex and W/S Impact	Net plus AHS plus 6M	No-Ex and W/S Impact	Net plus AHS plus 6M	10%/1.10 + 100% W/S Removed - AHS Completion

